



Arizona State Retirement System

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WWW.AZASRS.GOV

Special Notice

Tax Withholding Changes Effective Jan. 1 2010

Questions?

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ASRS retirees' monthly benefit checks have changed due to updated federal and state tax withholding tables. Federal tax withholding tables were adjusted in April 2009 to require lower tax withholding as mandated by the American Recovery and Reinvestment act signed by the President in February 2009 and again for January 2010.

Arizona calculates state tax as a percentage of the federal income tax withheld. Since the federal tax change led to fewer dollars being withheld, it led to fewer dollars being collected by the state. Noticing that state tax withholding revenue from Arizona taxpayers had begun to decrease, the Arizona legislature quickly passed Senate Bill 1185 which amended the amounts required to be withheld for Arizona withholding purposes and will, effective July 1, 2010, separate Arizona tax withholding from the federal tables.

The first state tax withholding change occurred in June 2009, which increased state tax withholding using a new tax table.

On January 1, 2010, the rates were again adjusted for both federal and state withholding. You will see a decrease in state tax withholding from the new table beginning with February 2010 pension checks.

Effective January 1, 2010 through June 30, 2010

<i>If this is your current withholding rate:</i>	<i>Your new withholding rate will be:</i>
0 percent	0 percent
11.5 percent	10.7 percent
21.9 percent	20.3 percent
26.5 percent	24.5 percent
28.8 percent	26.7 percent
35.7 percent	33.10 percent
42.6 percent	39.5 percent

For Income tax withheld on or after July 1, 2010, the amount withheld will no longer be a percentage of federal withholding. The Arizona Department of Revenue is scheduled to provide new tax tables in the spring of 2010.

Retirees do not need to do anything, as the tax rate will be adjusted automatically. However, if you want to correct any deficiency in tax withholding, ASRS retirees may go online into a secure area of the ASRS website, www.azasrs.gov, to adjust their tax withholdings. Retirees may also request a W-4P and A-4P to adjust federal and/or state withholding by contacting the ASRS Member Advisory Center at the number listed above.

Retirees may want to consult a tax advisor to determine how these tax withholding changes impact them before making any adjustments to tax withholding.